Management Reporting Systems

Guide to Setting up Your Management Reporting System
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1. Introduction

This guide has been designed to assist you in the process of setting up a management reporting system for your organization. It assumes basic knowledge of management reporting systems and related concepts as discussed in the seminar.

It covers three main areas:

- A standard set of management reports that can be used as a basis for a management reporting system
- Guidelines on how to customize the system to serve your specific business needs
- Guidelines on implementing the system and issues that need to be addressed

Also provided as appendices are sample templates for the basic management reports that we discuss here.
2. A Standard Set of Management Reports

In this section we discuss the following reports and lists associated with them.

- Sales Reports
- Finished Product Inventory Reports
- Work in Process Inventory Reports
- Production Reports
- Raw Materials and Components Inventory Reports
- Purchasing Reports
- Barter Transactions Reports
- Accounts Receivable Reports
- Accounts Payable Reports
- Summary Report
- Cash Flow Report

Report Templates are attached as appendices.
2.1 The Sales Report

The sales list
The sales list is prepared by sales staff on the basis of invoices issued to the buyers

List content
- Product identification number
- Product name
- Unit of measurement
- Sales plan for the period
- Planned sales price
- Product available for sale (units), which can be calculated and further separated into:
  - Finished product inventory that was available for sale at the beginning of the period
  - Finished product received from production
- Estimated (planned) finished product inventory safety level for the end of the period (your sales department should be involved in establishing this level)

Sales (units)
Buyer
Contract number
Sales price
Sales (amount)
Delivery terms
Additional information if the sale is a barter transaction

Maintaining the sales list
The lists can be prepared for every product in the company product range.

The list maintaining process can be manual or computerized.

The list is prepared by every sales person, issuing an invoice to customer, or receiving information that new items have been produced and become available for sale by inputting required information and adjusting all columns affected:
- For example, subtracting number of units sold from available for sale amount, adding number of units that became available for sale.
Using the sales list

This list is used by sales staff to:
- Monitor the sales activity and market trends (volume of sales, variation of sales price)
- Know at any moment in time the amount of product available for sale
- Plan safety cushion level of inventory (to sustain long-term contracts, to meet preferred customer requirements, etc.)
- Prepare sales reports for managers

The sales report

Sales reports can be a summary of sales activity for the reporting period grouped by
- Product (or product group)
- Customer (or customer group/type)
- Type of outlet
- Sales region
- Sales person
- Cash Vs barter sales

Or any other summary that management requires

Can be produced easily by sales staff or senior sales staff at required intervals (daily, weekly or monthly) from sales lists maintained by the sales staff

Report content

This is a sample report showing period sales summarized by customer:

Client (buyer)
Product identification number
Product name
Unit of measurement
Planned sales price
Sales (units)
Average sales price
Sales (amount)

Maintaining the sales report

The sales report can be prepared by sales staff at the end of the period, by summarizing data from the sales list as required.
Using the sales report

The sales report can be used by:

Manager of the sales department
- To track performance of each product
- To analyze sales activity of the company and monitor the product market trends (amend sales policy if required by market)
- To plan sales activity (change the sales plans), monitor finished product inventory available for sales, and issue production requests
- To compare finished product inventory reported by accounting and warehouses to products available for sale reported by sales staff
- To monitor sales staff performance
- To report sales results to top management
- To evaluate customers

And by top management
- To know how much cash company sales has generated (or can generate in near future) so that management can plan operations in the following periods
2.2 The Finished Products Inventory Report

The finished products inventory list
Prepared by finished product warehouse staff on the basis of material movement cards

List content
  Product identification number
  Product name
  Unit of measurement
  Location
  Product available (units), which can be calculated and further separated into:
    Total quantity on hands
    Less quantity off-specification
    Less quantity obsolete
  Production data
    Production date
    Production cost

Maintaining the finished products inventory list
The lists can be prepared for every product in company product range.
The list maintaining process can be manual or computerized.
The list is prepared (updated) by warehouse staff:
  • Receiving finished products from production (based on the information from documents received with the product, confirmed by a physical check)
  • Issuing products to customers (based on invoice issued by sales (accounting), confirmed by physical count of products shipped)

Using the finished products inventory list
This list is used by warehouse staff to:
  • Monitor finished products inventory
  • Know at any moment in time the amount of product available (quality of the product) and its location
  • Periodically compare finished product inventory reported by accounting to the lists maintained by warehouses and reconcile the differences
The finished product inventory report

Finished product reports can be a summary of

- Finished product *holdings* at some point of time; or
- Finished product inventory *movements* for the reporting period

Grouped by warehouse, product, product group, etc.

Finished product inventory reports can be easily produced by warehouse staff, managers or specially appointed people at required intervals (daily, weekly or monthly) from finished product inventory lists maintained by the warehouse staff:

Report content

Most common finished product *holdings* report should include the following information:

- Product identification number
- Product name
- Unit of measurement
- Location
- Product available (units), which can be calculated and further separated into:
  - total quantity on hands
  - less quantity off-specification
  - less quantity obsolete

Most common finished product *movement* report should include the following information:

- Production data
  - Production date
  - Production cost
- Product identification number
- Product name
- Unit of measurement
- Location
- Product received from production during the period
- Product available (units), which can be calculated and further separated into:
  - Total quantity on hands
  - Less quantity off-specification
  - Less quantity obsolete
- Product shipped to customers during the period
Using the finished product inventory reports

Finished product inventory reports can be used by warehouse managers
- To know availability, location and movement of finished product inventory
- To facilitate reconciliation process with accounting, production and sales departments

By sales department managers:
- To know availability of product for sale to plan sales activities and issue production requests

By top management:
- To analyze production and sales activities of the company and amend them, if necessary
- To facilitate planning process
2.3 The Work in Process Inventory Report

The work in process inventory list

Preliminary analysis required to produce and maintain this list

A preliminary analysis of the production process and certain assumptions need to be made by top management (with active participation of production technologists) related to stages of completion of the final product

- Production process should be divided into stages
- Every stage should be assigned percentage points of completion (approximate percentage of completion of the product at this stage compared with the fully completed product)

The list should be prepared by production line managers, workshop technologists, or workshop managers (administrative personnel may be used to enhance correctness and control) at regular intervals (daily, weekly or monthly) on the basis of actual volume of work in process currently at every pre-defined production stage

List content

This list should include the following basic information (any additional details may be included, if required):

- Product identification number
- Product name
- Unit of measurement
- Production line
- Number of units in each completion stage
- Equivalent of completed units
- Material availability to complete units in the final completion stage

Maintaining the work in process inventory list

The lists can be prepared for every product in company product range.

List maintaining process can be manual or computerized.

The list is prepared (updated) by production personnel (or administrative staff) consistently at defined intervals:

- By actual count of products at every stage of the process, or
  - By calculating it as percentage of feed material (or any other reasonable driver) for continuous processes, where it is impossible to separate the product into definable units, or
  - By checking the product card number (if used) at defined check points
• Equivalent of completed units at every stage is calculated by multiplying number of units at every production stage by percentage of completion assigned to this stage.

• Total equivalent of completed units is calculated as a sum of equivalent units at every completion stage

The work in process inventory reports

Work in process inventory reports can be easily produced by production managers or specially appointed administrative people at required intervals (daily, weekly or monthly), from the work in process inventory lists maintained by production personnel (or administrative staff).

Work in process inventory reports can be a summary of work in process inventory at some point of time grouped by
• Production line
• Product, etc.

Report Content

A standard work in process inventory report should include the following information:
  Product identification number
  Product name
  Unit of measurement
  Production line (or at every production line)
  Number of units in each completion stage
  Equivalent of completed units
  Material availability/requirements to complete units in the final completion stage

Using the Work in process inventory reports

Work in process inventory reports can be used by production managers:
• To estimate and check availability of materials and components requirements to complete work in process
• To alert purchasing, if some of the materials and components are not available
• To reasonably estimate near future production output

By sales department managers:
• In conjunction with finished product reports to estimate the number of product units that will be available for sale in near future to plan sales activities and issue (amend) production requests

2.4 The Production Report

The production list

Should be prepared by production line managers, workshop technologists or managers at regular intervals (daily, weekly or monthly) on the basis of actual number of products produced by entity under his (her) responsibility.

Any additional supporting documents (like product cards) could be developed to facilitate the maintenance of the production list.

List content

This list should include the following basic information (any additional details may be included, if required):

- Product identification number
- Product name
- Unit of measurement
- Production plan for the period (usually monthly)
- Production during the period
  - Daily production
  - Monthly production to date

Maintaining the production list

The lists can be prepared for every product in company product range.

List maintaining process can be manual or computerized.

The list is prepared (updated) by production personnel consistently at defined intervals:

- By actual count of products completed, or
- By checking the product card number (if used) at defined check points

The production report

Production reports can be easily produced by production managers at required intervals (daily, weekly or monthly) from production lists maintained by production personnel:

Production reports can be a summary of production at some point of time grouped by production line, product, workshop, company as a whole, etc.
Report content

A standard production report should include the following information:

- Product identification number
- Product name
- Unit of measurement
- Production plan
- Number of units produced during the period
- Variance with the plan and reasons for variance (if any)

Using the production report

Production reports can be used by production managers:
- To monitor the production process and react to any contingencies
- To plan production process

By sales department managers:
- To plan sales activities

By purchasing department manager:
- To plan future purchases
- To initiate purchase of immediately required components and materials to complete almost completed items

By top management:
- To analyze production and sales activities of the company and amend them, if necessary
- To facilitate planning process.
2.5 The Materials and Components Inventory Report

The materials and components inventory list

The list is prepared by warehouse staff on the basis of actual materials and components movements and supporting material like invoices (movement cards, etc.)

List content

This list should include the following basic information (any additional details may be included, if required):

- Material and component inventory identification number
- Material and component name
- Unit of measurement
- Location
- Quantity available (units), which can be calculated and further separated into:
  - Total quantity on hands
  - Less quantity off-specification plus recoverable quantity
  - Less quantity obsolete plus recoverable quantity
- Inventory value, which can be calculated and further separated into categories:
  - Usable value
  - Off-specification value (or recoverable value)
  - Obsolete value (or recoverable value)
- Safety stock level (level to support production for number of days (months) determined by management based on previous experience)
- Requirements to purchase materials and components (amount of materials and components to order as soon as stock reached safety level, which is also determined by management based on previous experience and reasonable purchase order amounts)

Maintaining the raw materials and components inventory list

The lists can be prepared for every material and component used by the company.

List maintaining process can be manual or computerized.

The list is prepared (updated) by warehouse staff

- Receiving materials and components from suppliers (based on actual material count and quality check and supported by the information from documents received with the materials and components)
- Issuing products to production (based on material movement cards), confirmed by physical count of materials and components issued
Using the raw materials and components inventory list

This list is used by warehouse staff to:

- Monitor material and components inventory
- Know at any moment in time the amount of materials and components available for production (quality of the materials and components) and their location
- Facilitate periodical physical check of materials and components inventory at warehouses against accounting records, and reconciliation of the differences

The raw materials and components inventory report

The raw materials and components inventory reports can be easily produced by warehouse staff, managers or specially appointed people at required intervals (daily, weekly or monthly) from raw materials and components inventory lists maintained by the warehouse staff:

Raw materials and components inventory reports can be a summary of

- Raw materials and components inventory holdings at some point of time, or
- Raw materials and components inventory movements for the reporting period, if required

Grouped by

- Warehouse,
- Product, etc.

The raw materials and components inventory holdings report shows the inventory position at a point in time.

The raw materials and components inventory movement report shows the movement of inventory during a particular period.

Raw materials and components inventory requisition report indicates future requirements.
A standard raw materials and components inventory *holdings* report should include the following information:

- Raw materials and components inventory number
- Raw materials and components name
- Unit of measurement
- Location
- Raw materials and components available (units), which can be calculated and further separated into:
  - Total quantity on hands
  - Less quantity off-specification
  - Less quantity obsolete
- Safety stock level
- Requirements to purchase raw materials and components.

A standard raw materials and components inventory *movement* report should include the following information:

- Raw materials and components inventory identification number
- Raw materials and components name
- Unit of measurement
- Product received from suppliers during the period
- Raw materials and components receipt data
  - Date
  - Inventory cost
- Raw materials and components shipped to production during the period
- Raw materials and components available (units), which can be calculated and further separated into:
  - Total quantity on hands
  - Less quantity off-specification
  - Less quantity obsolete
A standard inventory requisition report should include the following information:

- Raw materials and components inventory number
- Raw materials and components name
- Unit of measurement
- Requirements to purchase raw materials and components
- Previous raw materials and components acquisition data
  - Supplier
  - Inventory acquisition cost

Using the Raw materials and components inventory reports

Raw materials and components inventory can be used by warehouse managers:

- To monitor material and components inventory
- To know at any moment in time the amount of materials and components available for production (quality of the materials and components), their location and movement
- To facilitate periodical physical check of materials and components inventory at warehouses against accounting records, and reconciliation of the differences

By purchasing department managers:

- To know current requirements to replenish raw materials and components to the required level

By top management:

- To analyze production and purchasing activities of the company and amend them, if necessary
- To facilitate planning process
2.6 The Purchasing Report

The purchasing list
Is prepared by purchasing staff on the basis of
- Purchase requisitions (triggered by safety stock indicators),
- Outstanding purchases orders, and
- Available market information about the materials and components to be purchased

List Content
This list should include the following basic information (any additional details may be included, if required):
- Material and component inventory identification number
- Material and component name
- Unit of measurement
- Requirements to purchase materials and components
- Outstanding order quantity, and if required any additional information related to outstanding orders:
  - Order contract number
  - Order price
  - Quantity already received
  - Quantity to be received and date of delivery
- New order information, including:
  - Supplier information
  - Price offered (negotiated)
  - Delivery terms
- Cash requirements to pay for new purchases
- Additional information if the purchase is likely to be through barter

Maintaining the purchasing list
The lists can be prepared for every material and component used by the company.
List maintaining process can be manual or computerized.
The list is prepared (updated) by purchasing staff based on:
- Raw materials and components requirements (triggered by safety stock indicators)
- Information on purchase orders outstanding
- Available information on suppliers and markets
Using the purchasing list
This list is used by purchasing staff to:
- Monitor material and components inventory requirements
- Know at any moment in time the amount of materials and components required to purchase (quality of the materials and components)
- Know the supply market and maintain historical information on previous purchases
- Know cash required for purchases

The purchasing report
Purchasing reports can be produced by purchasing staff or managers at required intervals (daily, weekly or monthly) from purchasing lists maintained by the purchasing staff.

Purchasing reports can be a summary of purchasing information at some point of time grouped by
- Material or component,
- Supplier, etc.

Reports can take several forms depending on requirements
- Current purchasing requirements
- Orders outstanding
- Orders by supplier

Report content
Most common purchasing report should include the following information:
- Material and component inventory identification number
- Material and component name
- Unit of measurement
- Requirements to purchase materials and components
- Outstanding order quantity
- Date materials and supplies will be received
- Cash requirements to pay for new purchases
Using the purchasing report

Purchasing reports can be used by purchasing managers:

- To monitor purchasing process and promptly react on contingencies
- To know the quantity of materials and components to purchase
- To know at any moment in time the quantity of materials and components ordered and time they will be delivered
- To know cash requirements for purchases

By top management:

- To analyze production and purchasing activities of the company and amend them, if necessary
- To prioritize purchases
- To facilitate planning process
- For cash planning
2.7 The Barter Transactions Report

The barter transactions list

Barter transactions should be viewed by management as extraordinary transactions and be used only in special situations, when cash transaction is impossible.

Due to the complexity of the barter transaction (involvement of several different departments, lack of reliable market information as to the value of goods exchanged, etc.) special attention and control should be established by top management over these transactions.

The list is jointly prepared by purchasing and sales staff on the basis of raw materials and components requisition requirements (triggered by safety stock indicators), and availability of finished products that can not be sold at the comparable market prices.

List content

This list should include the following basic information (any additional details may be included, if required):

Product offered by company for barter
- Product identification number
- Product name
- Unit of measurement
- Quantity available for sale
- Transaction quantity of the company product
- Production cost
- Market price, if available
- Delivery terms and cost (if paid by the company)

Material and component offered in exchange
- Material and component inventory identification number
- Material and component name
- Unit of measurement
- Requirements to purchase materials and components
- Transaction quantity of material or component
- Delivery terms and cost (if paid by the company)
Maintaining the barter transactions list

The lists can be prepared for barter transactions in every product or every material and component (depending on current company practice).

List maintaining process can be manual or computerized.

The list is prepared (updated) jointly by sales and purchasing staff based on:

- Raw materials and components requirements (triggered by safety stock indicators)
- Availability of finished products that can not be sold at the relatively attractive cash prices

The list is reviewed by sales and purchasing department managers and transaction should be conducted only after authorization by top management.

Using the barter transactions list

This list is used by sales and purchasing staff to:

- Get approval of barter transactions
- Monitor barter transactions

The barter transactions report

Barter reports can be produced by purchasing or sales staff or managers (depending on prevailing company practice) at required intervals (daily, weekly or monthly) from barter lists.

Barter reports can be a summary of authorized barter transactions at some point of time grouped by:

- Material or component
- Finished product
- Customer (or second party)
- Customer (or second party) group or type

Barter reports can take several forms depending on requirements:

- Barter sales
- Barter purchases

Barter reports can supplement the sales and purchasing reports (additional information that the transaction is barter transaction should be included).
Using the barter transactions report

Barter reports can be used by purchasing and sales managers

- To monitor sales and purchasing process and promptly react to contingencies
- To know the quantity of goods shipped, materials and components to be received in exchange

By top management

- To analyze and control barter transactions
- To analyze production, sales and purchasing activities of the company and amend them, if necessary
- To facilitate planning process
- To conduct cash planning
2.8 The Accounts Receivable Report

The accounts receivable list
The list of accounts receivable is prepared by sales staff on the basis of deferred payment contracts and sales invoices issued to the buyers.

List content
This list should include the following basic information (any additional details may be included, if required):

- Customer information
  - Name
  - Address
- Contract information
  - Number
  - Amount
- Payment terms
- Product information
- Payment due date

Maintaining the accounts receivable list
The list is prepared for all accounts receivable (including barter accounts receivable)

List maintaining process can be manual or computerized.

The list is prepared (updated) by sales staff based on
- Sales contracts with deferred payment clause
- Invoices confirming that sale was actually made
- Payment confirmations received from customers (before being sent to accounting) and confirmed by bank statement (or in barter case - barter product receipts confirmed by warehouses)

Using the accounts receivable list
This list is used by sales staff
- To maintain company-client relationships and company credit policy
- Deferred sales limits to one client may be set by the company to minimize customer default risk
- Client ranking can be maintained by the company for the same purposes
- To monitor sales contracts and promptly react to contingencies
The accounts receivable report

The accounts receivable lists can be summarized to show how much credit your company has extended and for how long it has been outstanding - by customer or by product.

Accounts receivable reports can be produced by sales staff or managers at required intervals (daily, weekly or monthly) from accounts receivable lists.

Accounts receivable reports can be a summary of deferred payment sales transactions with still outstanding payments at some point of time grouped by:
- Product or product group
- Customer or customer group
- Sales person, etc.

Accounts receivable reports can take several forms depending on requirements:
- Cash accounts receivable (grouped by due date)
- Barter accounts receivable (grouped by due date)
- Cash (barter) accounts receivable overdue (grouped by due date)

Report content

Accounts receivable reports: Cash transactions

A standard accounts receivable summary report should include the following information:
- Product information, or
- Customer information
- Accounts receivable settlement date, categorized in the following manner
  - 0 - 30 days
  - 31 - 60 days
  - 61 - 90 days
  - 91 - 180 days
  - 181 days - 1 year
  - Over 1 year
- Percentage of each of the above categories to total accounts receivable
- Problems with collection (if any)
Accounts receivable reports: *Barter transactions*

Barter accounts receivable may also have some information related specifically to this type of transactions:

- Product information, or
- Customer information

Accounts receivable settlement date categorized in the following manner:

- 0 - 30 days
- 31 - 60 days
- 61 - 90 days
- 91 - 180 days
- 181 days - 1 year
- Over 1 year

Percentage of each of the above categories to total accounts receivable

Material or components to be received information

Problems with collection (if any)

Accounts receivable *overdue* reports

Overdue accounts receivable should also be reported separately (to draw management attention to them) and should include the following information:

- Product information, or
- Customer information

Overdue accounts receivable (from settlement date):

- 0 - 30 days overdue
- 31 - 60 days overdue
- 61 - 90 days overdue
- 91 - 180 days overdue
- 181 days - 1 year overdue
- Over 1 year overdue

Percentage of each of the above categories to total accounts receivable

Actions taken (if any)
Using the accounts receivable report

Accounts receivable reports can be used by:

Sales managers
- To monitor the deferred income process and promptly react to problem
- To monitor compliance with the company credit policy
- To know the aging of the receivables and plan collection efforts

Legal department
- To act to collect late payments

Accounting or finance departments
- To monitor and plan incoming cash

Top management:
- To analyze and control company deferred sales policy
- To analyze production, sales and purchasing activities of the company and amend them, if necessary
- To facilitate control and comparison with company accounting information
- To facilitate planning process
- To facilitate cash planning
2.9 The Accounts Payable Report

The accounts payable list

The accounts payable list is prepared by purchasing staff on the basis of deferred payment contract and purchasing invoices issued by the suppliers.

List content

This list should include the following basic information (any additional details may be included, if required):

- Material or component information
- Supplier information
  - Name
  - Address
- Contract information
  - Number
  - Amount
  - Payment terms
- Payment due date

Maintaining the accounts payable list

The list is prepared for all accounts payable (including barter accounts payable)

List maintaining process can be manual or computerized.

The list is prepared (updated) by purchasing staff based on:

- Purchase contracts with deferred payment clause
- Invoices confirming that purchase was actually made
- Payment order confirmations received from accounting (finance) department and confirmed by bank statement (or in barter case - barter product shipment confirmed by warehouses)

Using the accounts payable list

This list is used by purchase staff:

- To maintain company-supplier relationships and company credit policy
  - Deferred purchases limits from one client may be set by the company to prevent severance of the relationships with suppliers
  - List of preferential suppliers may be maintained by the company
- To monitor purchase contracts and promptly react to contingencies
The accounts payable report

Accounts payable reports can be produced by purchasing staff or managers at required intervals (daily, weekly or monthly) from accounts payable lists:

Accounts payable reports can be a summary of deferred payment purchases transactions with still outstanding payments at some point of time grouped by supplier, materials or components purchased, etc.

- Accounts payable reports can take several forms depending on requirements:
  - Cash accounts payable (grouped by due date)
  - Barter accounts payable (grouped by due date)
  - Cash (barter) accounts payable overdue (grouped by due date)

Report content

Accounts payable reports: **Cash transactions**

Most common accounts payable summary report should include the following information:

- Materials or components information, or
- Supplier information

Accounts payable settlement date categorized as
  - 0 - 30 days
  - 31 - 60 days
  - 61 - 90 days
  - 91 - 180 days
  - 181 days - 1 year
  - Over 1 year

Percentage of each of the above categories to total accounts payable

Problems with payment (if any)
Accounts payable reports: Barter transactions

Barter accounts payable may also have some information related specifically to this type of transactions:

- Materials or components information, or
- Supplier information

Accounts payable settlement date categorized as:
- 0 - 30 days
- 31 - 60 days
- 61 - 90 days
- 91 - 180 days
- 181 days - 1 year
- Over 1 year

Percentage of each of the above categories to total accounts payable

Product to be shipped information

Problems with shipment (if any)

Accounts payable overdue report

Overdue accounts payable may also be reported separately (to draw management attention to them) and include the following information:

- Materials or components information, or
- Supplier information

Overdue accounts payable (from settlement date):
- 0 - 30 days overdue
- 31 - 60 days overdue
- 61 - 90 days overdue
- 91 - 180 days overdue
- 181 days - 1 year overdue
- Over 1 year overdue

Percentage of each of the above categories to total accounts payable

Actions taken (if any)
Using the accounts payable report

Accounts payable reports can be used by purchasing managers:
- To monitor deferred purchase process and promptly react to contingencies
- To monitor compliance with company credit policy
- To know the aging of the payables

By accounting of finance department:
- To monitor and plan outgoing cash

By top management:
- To analyze and control company deferred purchases policy
- To analyze production, sales and purchasing activities of the company and amend them, if necessary
- To facilitate control and comparison with company accounting information
- To facilitate planning process
- To facilitate cash planning
2.10 The Summary Report

The summary report provides key indicators from other reports, in a summary form.

**Report content**

- Total sales for the current period as well as previous two periods
- Total production for the current period as well as previous two periods
- Total purchases for the current period as well as previous two periods
- Total accounts receivable balances for the end of the current period and previous two periods
- Total accounts payable balances for the end of the current period and previous two periods
- Total finished products inventory balances for the end of the current period and previous two periods
- Total raw materials and components inventory balances for the end of the current period and previous two periods
- Total work in process inventory balances for the end of the current period and previous two periods

and any other summary information that management believes will help with the control and planning of key business objectives.

**Maintaining the summary report**

- The summary report can be created simply by transferring relevant information from the different reports; for example
  - Total production for the period from the production report
  - Total A/R balance from A/R report

**Using the summary report**

The summary report can be used by top management

- For a snapshot view of organizations activities
- To compare performance of key indicators over time
- Together with the cash flow report can be used for strategic decision making and planning
2.11 The Cash Flow report

The cash flow is a statement of all cash (and cash equivalents) received during a period and all cash (and cash equivalents) paid out during the period

- Cash equivalents are current assets that can be converted to cash at short notice. They include
  - Barter transactions,
  - Short term notes
  - Due to uncertainty regarding the realization of cash equivalents, they should be shown separately in the cash flow statement

Report content

Cash flow from operating activities

Inflows

Cash receipts from sale of goods or services (by product); including
  - Receipts from current sales
  - Receipts from collection of receivables
  - Short term notes receivable from customers arising from those sales
  - Interest and dividend income
  - VAT received on sales
  - Other cash receipts; i.e. all other cash receipts that do not stem from investing or financing transactions

Outflows

Purchase of raw materials and supplies; including
  - Payments for materials and components
  - Payments for wages and salaries
  - Payments for social benefits
  - Payments for energy
  - Payment for other overhead expenses

VAT Paid

Payment for operations taxes

Research and development expenses

General and administrative expenses

Selling expenses

Interest paid

Income (profit) taxes paid

Cash flow from investing activities

Inflows
- Proceeds from sale of investments
- Proceeds from sale of fixed assets

Outflows
- Capital expenditure
- Other Investments

Cash flow from financing activities

Inflows
- Proceeds from borrowings
- Proceeds from issue of shares

Outflows
- Debt repayment
- Dividend payments

All of the above line items can be shown separately for barter transactions

Creating and maintaining the cash flow report

The cash flow report may be created directly, or indirectly from the income statement

Direct cash flow
- Created using bank statements, the cash account and barter records

Indirect cash flow
- Created using already prepared statements
  - Income statement
  - Balance sheet
Advantages of a direct cash flow

- Timely; not dependent upon the completion of financial statements

- Unbiased; not influenced by taxation and format requirements that the financial statements are subject to

- Accurate; it is difficult to manipulate bank statements
  - There is however the danger of manipulation of the bank statements and barter transaction records

- Specific; created for the purpose of management reporting, not tax or shareholder reporting

Using the cash flow report

The cash flow indicates

- Which activities have generated cash during the period and how this cash has been used
- What accounts for the cash surplus (deficit) - how can it be used (covered)

The cash flow report is used by top management to:

- Understand the cash generating ability of current operations;
  - e.g. if net cash flow is positive, but net cash flow from operations is negative, the company will continuously need to find external funds to finance the deficit

- How the organization has used its financial resources during the period
  - e.g. to finance operations, pay off suppliers, pay dividends etc.

- Where has the company generated funds
  - from operations, through bank financing, by selling capital assets

- Understand the changes in assets and liabilities from financial and investment transactions during the period in
  - e.g. investment in fixed assets, repayment of loans etc.

- Project future cash requirements
3. Customizing the Management Reports

Before you start customizing the management reporting system, you should do an inventory of the systems that already exist and then build on that.

The time required to customize the system will depend upon the size and nature of the business and the scope of your reporting system. A typical customization may take up to 4 weeks.

You will need to customize the system because different types of business and different business objectives have differing information requirements. The two examples below illustrate this idea:

- A construction company that develops residential buildings and sells them once completed, may require the sales, work in process and inventory reports for each property separately.

- If you need to decide whether to keep or dispose of a production line, you may want to keep track of production - by production line, as well as by type of product.

First customize the system to meet your specific requirements

- Discuss your specific needs and business objectives to determine if your managers or senior managers need additional information not suggested on the reports.

  The lists and reports previously discussed above can form the basis for a management reporting system in almost any situation but may not be thorough enough for all companies.

- Add on additional columns to the lists and additional summary items to reports in order to meet your company's additional needs.

  By adding several minor modifications, the lists and reports should blend easily into existing operations.

Then implement and enhance the system in your business

Plan the implementation. Manage the implementation process through effective monitoring and control.
A typical plan for establishing the management reporting system looks like this:

**Stages in the Development of a Reporting System**

1. Define Business Functions and Objectives
   - What data, information, and reports are already available
   - Who needs information

2. Modify Lists and Reports
   - Establish timing and data sources

3. Plan and Implement

4. Monitor and Control

Customizing the reporting system - an overview

Before you can start customizing management reporting system, you should define what is required and find out what the company already has. This is the **groundwork phase** of the customization process.

**Based on the groundwork you will start building the system up:**
- Modify lists, columns and add additional summaries to reports
- Establish sources of data
- Decide timing of information to be received by careful comparison with objectives
- Assign responsibility to maintain each list

The time required to customize the system will depend upon the size and nature of the business and the scope of your reporting system.

**The customizing process should be driven by top management.**
- Start with a decree issued by the General Director.

The team leader should have a good understanding of the information requirements of the organization
- Management reporting deals with the organization as a whole, not with isolated functions.

**The team should ideally be a cross-functional team**
- Include people from different departments. People who will eventually be involved with creating and using the reports should help define the system.

Customizing the reporting system: The main steps.
The groundwork.

(1) Define business functions and objectives.

Defining business functions is necessarily the first step. Our example in the introduction section of the presentation defined a company with three typical business functions, but your company will definitely have a more complex structure.

Defining business objectives is the second step: what every business function wants to achieve. It is important for all top management to be involved in this process.

Here are typical business objectives:

Increase sales volume by 4% per month, reduce production costs by 12%, keep accounts receivable at less than 14% of sales, maintain working capital at 32% of sales, worker productivity at 2 items per day, etc.

(2) Examine what data and information is available.

For each business function check what lists are regularly maintained and what reports are regularly distributed. You need to ask the following questions:

- Do these lists and reports cover all the important business functions?
- Do the reports assist in measuring performance against business objectives?
- Do the lists and reports provide timely and useful information?

(3) Examine who needs information.

- Once your business functions have been defined, determine who may influence the process.
- What information do they need and how frequently do they need it to work effectively?
- Determine the distribution of reports appropriately.
  - Top management should get all reports, especially when determining strategy.
  - Middle managers should be assigned specific reports but have access to all of them for measuring and meeting objectives assigned by top management.

At this stage the groundwork is complete. The rest of the customizing process consists of modifying the lists and reports.

(4) Modify lists, columns and add additional summaries to reports

- Determine the applicability of the suggested lists and reports.
- Find out what data or information is missing.
- Is this data or information available?
  - Try not to remove any items, only add to them.
(5) Establish sources of data
A most critical step as the data source usually defines the relevance and accuracy of the data.
- First map out the flow of data for each column on the lists.
  - where does the data originate, who sees it, who stores it?
- Choose a point at which to "pick off" or receive the data for storage on the lists
  - define closing days (dates) for weekly and monthly information
- If data for a list or report comes from more than one source, ensure that the different sources are consistent
  - a common problem is that different departments use different codes.

(6) Decide timing of information to be received by careful comparison with objectives.
Decide the frequency of reports required to meet your business objectives:
- Reports should be regular, i.e. daily, weekly, monthly (never less than monthly).
  - More severe company problems call for weekly or daily monitoring.
- Information should reach the user in time to take concrete action e.g.
  - Receivables information in time to analyze customer status before further deliveries
  - Information on inventory, order position and cash flow in time to avoid stock-out.

(7) Assign responsibility to maintain each list.
- Consider the function of the business, the information flow through the business and the process of collecting and storing data
- Consider quality and extent of existing data
- Use available resources and skills to the best extent

(8) Readjust the selected source and person responsible.
- Consider if the person assigned is motivated to manipulate the data for any reason
  - If so, reassign
- Is the person capable and responsible?
- Will the new list have data more accurate than what is available now?
  - If not, then re-establish source
- Is all responsibility for maintaining the lists assigned to accounting department personnel?
  - If so, you’ve not got a good grasp of the point of installing a management reporting system (additional controls, additional data, timely and accurate reports to management - not to the tax authority, information with which to make decisions)
The cost of establishing a reporting system

The cost of establishing a reporting system for your organization will depend on factors such as:

- The time required to customize
  - The longer it takes, the greater the cost in monetary terms as well as in terms of person-days.

- The size of the business:
  - Customizing for a larger business will necessarily require more time
  - A larger business may also require a computerized system to produce the reports on time.

- The nature of business and to what extent customization is required
  - A complicated production process, a large number of products, a complex sales structure, etc. will all increase the cost of customizing.

- The state of the existing reporting system - for financial or tax purposes
  - A well running financial or tax reporting system will greatly reduce the cost of customizing.

- The level of motivation of staff involved.
4. Implementing the Management Reporting System

Implementing the MRS properly ensures:
- The system will do what YOU want it to do
- You know what you're getting: Accurate
- You get the information when you need it: Timely
- You get what you need to: Concise
- You get it as a routine: Regular
- You add value: Cost effective

Implementing the System: A detailed plan will lead you through the implementation successfully.
- Establish objectives and targets for the system
- Identify and assign project manager
- Customize the system and divide the implementation into identifiable tasks
  - Establish data source and responsibility
  - Identify how lists will be maintained
  - Set time scale targets for list implementation
  - Assign report preparation responsibilities
  - Assign system administration responsibility (senior manager of all areas plus overall)
- Assess resources available
  - Personnel required, their level of skill, dependability
  - Computer equipment (if computerizing the system)
- Prepare a schedule detailing any purchases or services required and corresponding expense
- Prepare detailed budgets for both internal and external expenditure
- Carry out the implementation plan - begin with an executive order and a pep talk from senior managers
- Monitor and control the progress of activities, make adjustments/corrections as necessary

Implementation Planning:

List the main steps in the implementation process. Assign responsibility, a time frame, and a budget for each of these steps. (Tables 2, 3, and 4 provide templates for planning the implementation process).
### Table 2: Implementation: Steps and Responsibilities

<table>
<thead>
<tr>
<th>Step</th>
<th>Task</th>
<th>Responsibility</th>
<th>Time Required</th>
</tr>
</thead>
</table>
| I. Planning           | Establish Objectives  
Assign Project manager  
Customize the system  |                |               |
| II. Assess resource requirements | Determine staffing requirements  
Conduct recruitment - internal and external  
determine technical and infrastructural requirements for the system  
Plan for obtaining technical and infrastructural requirement |                |               |
| III. Budgeting        | Create a budget for the implementation |                |               |
| IV. Training          | Provide additional training to implementation staff |                |               |
| V.                    |                                                                       |                |               |
| VI.                   |                                                                       |                |               |
| VII. Installation     | Implement & test the system                                           |                |               |
| VII. Monitoring and Control | Monitoring and refining the implementation process |                |               |
### Table 3: Scheduling Implementation

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
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<tr>
<td><strong>Step 1</strong></td>
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<td></td>
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<tr>
<td><strong>Step 2</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Step 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Step 4</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Step 5</strong></td>
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<td><strong>Step 6</strong></td>
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<td><strong>Step 7</strong></td>
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</table>

*On time!*
Table 4: Budgeting Implementation

<table>
<thead>
<tr>
<th>Item</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Costs</td>
<td>256</td>
<td>216</td>
<td>251</td>
</tr>
<tr>
<td>Staffing</td>
<td>141</td>
<td>141</td>
<td>121</td>
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<tr>
<td>Team Leader</td>
<td>41</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Team Members (4)</td>
<td>100</td>
<td>100</td>
<td>80</td>
</tr>
<tr>
<td>Training</td>
<td>90</td>
<td>50</td>
<td>105</td>
</tr>
<tr>
<td>Communications</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>External Costs</td>
<td>500</td>
<td>1,900</td>
<td>900</td>
</tr>
<tr>
<td>Consultants</td>
<td>500</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>Computers</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>756</td>
<td>2,116</td>
<td>1,151</td>
</tr>
</tbody>
</table>

Planning, Staffing, Training

Installation Lists/Reports

Training

First Run
Implementing the System: Typical problems encountered during system implementation

Unrealistic goals or deadlines for implementation
- Scheduled over too long of a time to help solve problems.
- Scheduled to be too quickly implemented to be installed correctly.

Planning problems
- Poor planning creates poor results.

Inadequate controls have been designed into the system and inaccurate data is produced
- Those preparing the reports or lists are motivated or able to change data inappropriately.
- The wrong data is supplied to the list makers.

The wrong project manager was selected
- Must have management ability and overall business understanding.
- Should be well-respected in the firm.
- Must have the authority to effectively install the system.
- Must have confidence to make changes allowing proper installation.
  - The project manager will encounter different pressures
    - From users at lower levels who have to change their work habits and maybe have to do something new
    - From the general director who expects results, and quickly
    - From department directors who are unsure about allowing release of data from their areas that may reflect operations in that particular area differently (or more accurately) than they desire

Implementing the System: Control issues to cover during the installation

Make continual checks for completeness
- All of the data which should be processed is processed
  - Pre-numbered documents with sequence checks
  - Checking each processed document against the input forms
Ensure accuracy
- All the data is processed accurately
  - Rigorous data validation and verification routines through
    - Format and range validation checks, regular reconciliation with related reports
    - Variance analysis to meaningfully explain deviations

Check for consistency
- Information is comparable to previous reports and other reports within the system
  - 'Sanity checks' - i.e. is such a situation possible
  - Check that basic relationships between information hold
    - e.g. opening finished goods inventory + production - shipments = closing finished goods inventory
  - Variance analysis to meaningfully explain deviations

Continually strive to improve timeliness
- All data made available and processed as scheduled
  - Monthly, weekly or daily

Ensure authorizations are followed
- Approval for data processing has been enforced

Implementing the System: If the installation is not going well or data is inaccurate look for the underlying causes of problems

Human error
- Committed unwillingly due to poor training or lack of awareness

Technical error
- System infrastructure allows inaccurate data to be supplied without human error

Poor management/personnel relations
- Unmotivated personnel

Poor security planning - this is a dangerous area (more later on this)
- Personnel are involved in fraudulent activities
  - Ensure careful recruitment - internal and external
  - Try job rotation (disadvantage: staff may require additional training)
Implementing the System: Fine-tune the installed system to fit your business's operations and user's needs.

This is an ongoing process which should provide input for ongoing maintenance and improvement of the system.

Incorporate a system of regular feedback from users, using questions such as
- What additional information is crucial to effective decision making at your level?
- Is the information reaching in time for effective decision making?
- Does the system help identify important problems and inefficiencies?
- Does the system help identify problems in advance?
- Is the information comparable over time?

Incorporate a system of regular feedback from individuals involved in all stages of producing the lists and reports
- What are the problems in producing and receiving data lists?
- What are the problems in creating reports?
- What are the bottlenecks causing delays?; for example:
  - Staffing shortages
  - Untrained staff
  - Communication problems
  - Technical and infrastructure related problems
- Are there situations encountered where no defined procedure for processing exists?

Implementing the System: Here are some final steps for monitoring and controlling the installed system.

Test for coverage/accuracy/operability
- Are the reports consistent with each other?; e.g. are sales, receivables and cash receipts from sales recorded on the same basis
- Is the information meaningful and relevant and is all information needed for meaningful decision making covered by the reports?
- Are there major obstacles in the production and delivery of the reports?
Test for user acceptance
• Is the report more meaningful to the user than existing reports?
• Do users need more training to analyze the reported information?

Test for business improvement
• Are business objectives being met?

Test for security
• Is data or information being made available to unwanted sources?

Implementing the system: The reports don't produce information that is right—could it be fraud?

Fraud or espionage
• Deliberate action of individuals
  • Creation of fictitious supplier accounts and submission of false invoices.
  • Corruption and bribery, particularly where individuals are in a position of authority as regards making decisions on suppliers or selecting between tenders.
    • Misappropriation of incoming checks from bona fide customers
    • Giving unauthorized discounts to customers
    • Inventory losses, including short deliveries by drivers
    • Fictitious staff on the payroll
• Unauthorized manipulation of the information technology system

To check for fraud or espionage consider
• Personnel have ability to commit fraud
  • Degree of access to critical information
  • Available time to conduct fraudulent activity
  • Ability and motivation of the individual

• Indications
  • Apparent wealth out of proportion to salary/grade
  • Increased spending incongruent with typical patterns
  • Associating with employees from different organizations
  • Signs of disaffection towards the organization
  • Working after hours on a regular basis, without apparent reason

Implementing the System: Long term system maintenance is necessary.

Corrective Maintenance
- Eliminate problems
  - Time delays
  - Inaccuracies
  - Lack of coverage

Perfective Maintenance
- Improve efficiency or effectiveness
  - Computerize
  - New list/report
  - New controls

Adaptive Maintenance
- Adjust system to changes in the operating environment
  - Shut down operations
  - Starting new production
  - Restructuring enterprise
5. Review Role of the Management Reporting System

A good management reporting system provides managers with crucial information on their organization and its operations. The reports provide information covering seven areas:

- Overall performance of the company
  - Is the company doing okay financially?
  - Do the key indicator such as production, sales, etc. seem normal?

- Existing problems and inefficiencies
  - Is the purchase department planning its purchases correctly?
  - Are we producing what we expect to sell?
  - Is there a lot of unfinished product lying around unnecessarily?

- Potential problems that may occur
  - Are we likely to face a cash shortage?
  - If we don’t place this order soon we will have to stop production

- Day to day operational decision making and problem solving
  - How much should we purchase?
  - Should we accept this new order?

- Strategic and long term decision making
  - Should we continue to produce this product?
  - Do we invest in a new line?

- Direction for planning and budgeting
  - Where is our planning system most weak?
  - Do we need to improve our sales forecasting techniques?
6. Appendices

This section contains templates for the following reports:

1. The Sales Report (Units)
2. The Sales Report (Amount)
3. The Sales Report (Customer)
4. The Finished Product Inventory Report
5. The Work in Process Inventory Report
6. The Production Report
7. The Materials and Components Inventory Report
8. The Purchasing Report
9. The Barter Transactions Report
10. The Accounts Receivable (cash) Report
11. The Accounts Receivable (barter) Report
12. The Accounts Receivable Overdue Report
13. The Accounts Payable Cash Report
14. The Accounts Payable (barter) Report
15. The Summary Report
16. The Cash Flow (from operations) Report
17. The Cash Flow Report
References

Additional information on management reporting systems - and establishing a management reporting system can be obtained from the following consulting firms operating in Russia:

1. Deloitte and Touche CIS
8, Mokhovaya str., Bldg 13
103009 Moscow
Tel: (7 095) 956 5000
Fax: (7 095) 956 5001

2. BAIN-LINK
105187, Shcherbakovskaya Ul. 40-42
Tel: (7 095) 369 5948/ 4295/ 0386
Fax: (7 095) 369 5947

3. Andersen Consulting
101000, Chistoprudny Boul. 8
Tel: (7 095) 929 9000
Fax: (7 095) 929 9001
Management Reporting Systems

Assignment to be completed by all participants before the wrap-up session

Objective:
The main purpose of the assignment is to take the first step towards setting up a Management Reporting System.
The assignment also serves to check the participants' understanding of the concepts, processes and tools presented in the first part of the seminar

There will be a wrap-up session to follow, where the experiences of the participants will be used to bring out the real problems and issues that arise in customizing, implementing and using the MRS. Proposed solutions will be discussed. Completion of the assignment is a prerequisite to making the seminar and the wrap-up session meaningful.

Remember: This assignment and the provided tools can be instrumental in creating and implementing a MRS for your organization

Assignment:
• Using the set of lists and report templates and instructions provided as handouts, complete a set of lists and management reports for your organization for the previous month.
• For some of these lists and reports, department managers and other personnel who use the lists and reports should be called upon to provide assistance
• All data presented in the reports will be treated as confidential. The name of the participant and organization will not be revealed without the participant's consent

Use the process of creating these reports to:
• Note how these lists and reports compare to existing financial or management lists and reports that exist in your organization
• Identify how these reports need to be modified or developed further to meet the specific business objectives and requirements
• Note the issues and problems that arise in creating these reports
• Create an outline for customizing a reporting system that will meet your organization's requirements, based on the above 4 steps
Suggested Approach:

General
We have provided a number of tools in the form of templates and questionnaires to assist in completion of the assignment.

We believe that it is best to approach this assignment by introducing the concept of management reporting to the management team through a kick-off meeting

The purpose of this meeting should be
• To explain the benefits of a management reporting system and the purpose of the exercise.
• To assign responsibility and deadlines for completion of the lists and reports and related exercises that form part of this assignment.

Completing a set of lists and reports for the organization
The accompanying information package on creating the lists and reports includes:

Lists:
• What should the list contain
• In which department is the list generally maintained
• Who should be responsible for maintaining and updating these lists
• How is the list used in tracking and controlling day-to-day transactions

For reports:
• How are the reports created from the lists
• In which department should the reports be created
• What should the report contain and what are the suggested formats
• How can the reports be used to aid management decision-making.

The persons involved in this process should use this information as a guideline.

Note how the suggested list and report formats compare to the organization's existing lists and reports
This exercise is best undertaken by department managers. These managers use the existing lists and reports, and are the likely users of the new system.

This exercise can be undertaken for each of the reports with the help of Questionnaire 1.
Identify how these reports need to be modified or developed further to meet specific business objectives and requirements

To undertake this exercise, it is important to define specific business objectives. This is the first step in the process of customizing the reports to best serve the organization's requirements. A top management team needs to define these objectives as a unit and then communicate them to the organization.

After the business objectives have been analyzed, the reports that will assist in tracking and ensuring that the objectives are met.

This exercise can be undertaken with the help of Questionnaire 2.

Note the issues and problems that arise in creating and communicating these reports

This exercise should be undertaken in conjunction with other department managers and personnel during and after the report creating exercise. It may be helpful to give each person a questionnaire to record their thoughts, and then consolidate these at the end of the exercise.

Questionnaire 3 will be used for this exercise.

Create an outline plan for customizing a reporting system that will meet your organization's requirements

Input from the above exercises should provide the basis for outlining the plan for customization.

Questionnaire 4 is provided as a guideline.
Questionnaire 1

*How do the suggested list and report formats compare to the organization's existing lists and reports*

Instructions for use:
- This questionnaire is to be completed for each report and associated lists by the managers who currently use the reports, and by one or more representatives of top management
- Please attach a copy of the existing report (if any) and all lists that provide input for the completion of the report

What data that is recommended is not present in the existing lists?
How will adding this data increase the utility of the existing lists?

What additional data is provided in the existing lists?
How does this additional data improve the utility of the proposed lists?
Which department currently maintains and updates these lists? Are there other sources of information for the same data? How do these sources compare in terms of accuracy and timing?

What information that is recommended is not present in the existing reports? How will adding this information increase the utility of the existing reports?

What additional information is provided in the existing reports? How does this additional information improve the utility of the proposed reports?
Questionnaire 2

Identify how these reports need to be modified or developed further to meet the specific business objectives and requirements

Instructions for use:
• The first part of this questionnaire needs to be completed by the top management team
• The second part should be completed by the managers who currently use the reports and one or more representatives of top management.

PART I:
Identify five key business objectives and provide a brief explanation behind the selection of each objective.

Some examples of business objectives are:
• Increase sales by 25% over the next three months, measuring the progress weekly
  Reduce investment in working capital and stabilize it at 35% of sales
• Create a rating system for customers based on volumes and payment terms; maintain receivables at 15% of sales
• Reduce the number of barter transactions to 25% of sales

Objective 1:
Explanation:

Objective 2:
Explanation:

Objective 3:
Explanation:

Questionnaire 2 : Page 1
Part 2:
How will you measure progress on these objectives?
What additional information is required that is not already suggested on the reports?

For example, if a key objective is to reduce investment in working capital, the reporting system will have to produce information on sales, inventory - finished products, raw materials and work in process, receivables, payables and cash. In fact, the summary report could be modified to analyze this working capital reduction in more detail.

Objective 4:
Explanation:

Objective 5:
Explanation:

Questionnaire 2: Page 2
Questionnaire 3

Issues and problems that arise in creating these reports

Instructions for use:
• This exercise should be undertaken in conjunction with other department managers and personne;l during and after the report creating exercise.

1. Explain which problems you faced trying to assemble the management reporting package.
   • Problems with identification of data sources?
   • Problems with accuracy of data?
   • Problems with timely collection of data on time (collection of data regularly and reliably)?
   • Problems with freeing up the necessary resources to maintain the reports?
   • Problems due to unskilled or unmotivated staff?
   • Problems with acceptance of the lists and reports?
   • Other problems?
2. What do you think is the most effective way to overcome these problems?

- Problems with identification of data sources?

- Problems with accuracy of data?

- Problems with timely collection of data (collection of data regularly and reliably)?

- Problems with freeing up the necessary resources to maintain the reports?

- Problems due to unskilled or unmotivated staff?

- Problems with acceptance of the lists and reports?

- Other problems?
Questionnaire 4

Create an outline plan for customizing a reporting system that will meet your organization's requirements

Instructions for use:
• This exercise needs to be undertaken during and after the report creating exercise, by persons from top management expected to play an important role in development of the reporting system.

Customizing a reporting system:

What business objectives need to be met in creating a reporting system? (This should have been completed in Questionnaire 2.)

Which departments/managers need information? What specific information should be available to each person? (Use Table 1 as a guide.)

What changes are required to the reports and what additional reports are required (Use Questionnaire 2 as a guide.)
What should be the source of information for each report? Who should be responsible?

1. The Sales Report
   Source: 
   Person responsible: 

2. The Finished Products Inventory Report
   Source: 
   Person responsible: 

3. The Work-in-Process Inventory Report
   Source: 
   Person responsible: 

4. The Production Report
   Source: 
   Person responsible: 

5. The Materials and Components Inventory Report
   Source: 
   Person responsible: 

6. The Purchasing Report
   Source: 
   Person responsible:
7. The Barter Transactions Report
   Source:

   Person responsible:

8. The Accounts Receivable Report
   Source:

   Person responsible:

9. The Accounts Payable Report
   Source:

   Person responsible:

10. The Summary Report
    Source:

    Person responsible:

11. The Cash Flow Report
    Source:

    Person responsible:

Other reports
    Source:

    Person responsible:
How frequently should each report be generated? What changes in current operations may be required to achieve this?

1. The Sales Report
   Frequency:
   How can this be achieved:

2. The Finished Products Inventory Report
   Frequency:
   How can this be achieved:

3. The Work in Process Inventory Report
   Frequency:
   How can this be achieved:

4. The Production Report
   Frequency:
   How can this be achieved:

5. The Materials and Components Inventory Report
   Frequency:
   How can this be achieved:

6. The Purchasing Report
   Frequency:
   How can this be achieved:

7. The Barter Transactions Report
   Frequency:
   How can this be achieved:

Questionnaire 4 : Page 6
8. The Accounts Receivable Report
   Frequency:
   How can this be achieved:

9. The Accounts Payable Report
   Frequency:
   How can this be achieved:

10. The Summary Report
    Frequency:
    How can this be achieved:

11. The Cash Flow Report
    Frequency:
    How can this be achieved:

Other reports
    Frequency:
    How can this be achieved:
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<thead>
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<th>No.</th>
<th>Report</th>
<th>Recipient</th>
<th>Period</th>
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<td>Barter Transactions Report</td>
<td>Sales/Marketing Manager</td>
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Sales Report (Units) - Summarized by Product

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<th>Product Number</th>
<th>Product Name</th>
<th>Unit</th>
<th>Sales Plan for the Month</th>
<th>Monthly Sales to Date</th>
<th>Variance (plan vs. fact)</th>
<th>Current Finished Product Inventory</th>
<th>Estimated Finished Product Inventory</th>
<th>Safety Level</th>
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## Sales Report (Amount)

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<tr>
<th>Product Number</th>
<th>Product Name</th>
<th>Unit</th>
<th>Sales Plan (units)</th>
<th>Planned Sales Price</th>
<th>Planned Sales (amount)</th>
<th>Actual Sales (units)</th>
<th>Actual Sales Price</th>
<th>Actual Sales (amount)</th>
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</table>
Sales Report (Summarized by Customer)

<table>
<thead>
<tr>
<th>Customer Number</th>
<th>Customer name</th>
<th>Unit</th>
<th>Unit of Measurement</th>
<th>Sales (units)</th>
<th>Sales Price</th>
<th>Total Amount</th>
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</table>
### Finished Products Inventory

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<tr>
<th>Product Number</th>
<th>Product Name</th>
<th>Unit</th>
<th>Unit of Measurement</th>
<th>Quantity on Hand</th>
<th>Quantity Off-Specification</th>
<th>Quantity Available for Sale</th>
<th>Production Date</th>
<th>Production Cost</th>
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</tbody>
</table>
# Work in Process Inventory

<table>
<thead>
<tr>
<th>Product Number</th>
<th>Product Name</th>
<th>Location</th>
<th>Unit</th>
<th>5% complete</th>
<th>25% complete</th>
<th>50% complete</th>
<th>75% complete</th>
<th>95% complete</th>
<th>Equivalent of Completed Units</th>
<th>Material Requirements to Complete Items in 95% Category</th>
</tr>
</thead>
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</table>

Equivalent of Completed Units (10) = $5 \times 5\% + 6 \times 25\% + 7 \times 50\% + 8 \times 75\% + 9 \times 95\%$
<table>
<thead>
<tr>
<th>Product Number</th>
<th>Product Name</th>
<th>Unit</th>
<th>Production Plan for the Month</th>
<th>Daily Production</th>
<th>Monthly Production to Date</th>
<th>Variance (plan vs. fact)</th>
<th>Reasons for Variance</th>
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</table>
## Materials and Components Inventory

<table>
<thead>
<tr>
<th>Inventory Code</th>
<th>Material or Supply Name</th>
<th>Unit</th>
<th>Total Quantity on Hand</th>
<th>Quantity Off-Specification</th>
<th>Re-usable Quantity of Off-Specification Items</th>
<th>Quantity Considered Obsolete</th>
<th>Re-usable Quantity of Items Considered Obsolete</th>
<th>Total Usable Quantity</th>
<th>Location</th>
<th>Safety Stock Level</th>
<th>Required to Purchase</th>
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PIES/Toolkit/LIST&REP.XLS/RM (Requirements)/8-96/Page 1

*Deloitte Touche Tohmatsu International, RPC, USAID*
Purchasing (Summary and Cash Requirements)

<table>
<thead>
<tr>
<th>Inventory Code</th>
<th>Material or Supply Name</th>
<th>Unit</th>
<th>Required to Purchase</th>
<th>Contract Number</th>
<th>Order Quantity</th>
<th>Order Price</th>
<th>Order Quantity Received</th>
<th>Order Quantity to be Received</th>
<th>Delivery Date</th>
<th>Required to Order</th>
<th>Supplier Code</th>
<th>Supplier Name</th>
<th>Last Acquisition Price</th>
<th>Price Offered</th>
<th>Required Cash</th>
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# Accounts Receivable (Cash)

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<th>Unit</th>
<th>Ruble Amount of the Contract (or Equivalent)</th>
<th>Next Due Date</th>
<th>0-30 Days</th>
<th>31-60 Days</th>
<th>61-90 Days</th>
<th>91-180 Days</th>
<th>180 Days to 1 Yr</th>
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**Total:**

| %  | %  | %  | %  | %  | %  | %  | %  | %  | %  | %  | %  |

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Deloitte Touche Tohmatsu International, RPC, USAID
## Accounts Receivable (Barter)

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*Deloitte Touche Tohmatsu International, RPC, USAID*
# A/R Overdue

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**Deloitte Touche Tohmatsu International, RPC, USAID**
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Total:
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Deloitte Touche Tohmatsu International, RPC, USAID
## Summary Report

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<th>Feb</th>
<th>Mar</th>
<th>Year to date</th>
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<tr>
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<td>Sales (shipments)</td>
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<td>Purchases</td>
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<thead>
<tr>
<th>Key Working Capital Balances</th>
<th>31-Jan</th>
<th>28-Feb</th>
<th>31-Mar</th>
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<tbody>
<tr>
<td>Accounts Receivable</td>
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<td>Accounts Payable</td>
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<tr>
<td>Finished Goods Inventory</td>
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<tr>
<td>Raw Material Inventory</td>
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<tr>
<td>WIP Inventory</td>
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</table>
Summary of Cash Flow and Barter Transactions (Operating Activities)

<table>
<thead>
<tr>
<th>CASH FLOW FROM OPERATIONS:</th>
<th>Cash transactions</th>
<th>Barter transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inflows</td>
<td>Outflows</td>
</tr>
<tr>
<td>Proceeds from Sales</td>
<td></td>
<td></td>
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<tr>
<td>Product 1</td>
<td></td>
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</tr>
<tr>
<td>current month sale</td>
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<tr>
<td>collection of receivables</td>
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<tr>
<td>Product 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>current month sale</td>
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<tr>
<td>collection of receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Dividends Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from Other Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT from Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Proceeds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to Employees and Suppliers</td>
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</tr>
<tr>
<td>Materials and Components</td>
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<tr>
<td>Wages and salaries</td>
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</tr>
<tr>
<td>Social Insurance</td>
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<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
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<tr>
<td>Production Overhead</td>
<td></td>
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<tr>
<td>Operations Taxes and Dues</td>
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<tr>
<td>VAT Paid to Government</td>
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<td>Total Payments to Employees and Suppliers</td>
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<tr>
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<tr>
<td>General and Administrative, Training</td>
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</tr>
<tr>
<td>Sales and Other Commercial</td>
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<tr>
<td>Cash Flows Before Interest and Taxes</td>
<td></td>
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</tr>
<tr>
<td>Interest on Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes on Income</td>
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</tr>
<tr>
<td>Net Cash Provided By/(Used In) Operations</td>
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</table>
### Summary of Cash Flow and Barter Transactions

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<tr>
<td>Product 2</td>
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<tr>
<td>Other</td>
<td></td>
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<td>Interest and Dividends Received</td>
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<td>Materials and Components</td>
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<td>Direct Payroll</td>
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<td>Social Insurance</td>
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<td>Energy</td>
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<td><strong>Net Cash Provided By/(Used In) Operations</strong></td>
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<td><strong>CASH FLOW FROM INVESTING ACTIVITIES:</strong></td>
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<td>Proceeds from Sales of Investments</td>
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<td>Proceeds from Sales of Fixed Assets</td>
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<td><strong>CASH FLOW FROM FINANCING ACTIVITIES:</strong></td>
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<td>Long-Term Debt:</td>
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<tr>
<td>Proceeds from Borrowings</td>
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<tr>
<td>Repayment of Long-Term Debt</td>
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<td>Own Shares</td>
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<tr>
<td><strong>CASH AT BEGINNING OF PERIOD</strong></td>
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